



ROLE OF COOPERATIVE BANKS IN AGRICULTURAL FINANCE: THE CASE STUDY OF PUNJAB

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ABSTRACT

The cooperative banking sector is one of the main partners of Indian banking structure, the cooperative banks have more reach to the rural India, through their huge network of credit societies in the institutional credit structure. The cooperative sector has played a key role in the economy of the country and always recognized as an integral part of our national economy. Cooperatives have ideological base, economic objects with social outlook and approach. The cooperative covers almost all cent percent villages in India. The cooperative form of organization is the Ideal Organization for economically weaker sections in the country. According to recent study by World Bank and National Council for Applied Economic Research, the Primary Agriculture Credit Societies (PACS) amount for about 30 percent of micro credit in India. This paper attempts to analyze the role of co-operative bank in agricultural credit.

KEYWORDS: Cooperative Bank, Agricultural Credit, Rural Development, PACS.

INTRODUCTION

India is agricultural based country and its 70% population stay in rural area. The cooperatives which are the life blood of the Indian economy and the mechanism for any developmental programs. Especially in an agriculture dominated rural sector, cooperative banks play a pivotal role in bolstering the common individual and financing his business and personal needs. The cooperative credit structure is serving the Indian society since 1904 and since then it has seen several ups and downs. Despite of several limitations such as restriction of area of operations, limited clients, small volume of business, political interference, this movement is standing since last 108 years and serving the societies.

OBJECTIVES

1. To study the performance of cooperative banking in respect of agricultural credit and rural development.
2. To study the role of cooperative bank in agricultural credit.
3. To study the agricultural credit structure of the cooperative bank.
4. cooperative bank is to promote financial cooperation among low income group.

AREA OF THE STUDY

The study is based on the agricultural credit of cooperative bank of Punjab. Therefore, study covers Punjab to the fulfillment of objectives of the study.

DATA COLLECTIONS

The analysis will be done with the help of secondary data. The data collected mainly websites, annual reports, research reports, Already conducted survey analysis.

REVIEW OF LITERATURE / COMMITTEE REPORT

Credit is a crucial input process of development. For historical reasons, Indian farming community failed to make huge investments in agriculture. There is an adage which says that "Indian farmer is born in debt, lives in debt and dies in debt". In order to mitigate the problems of the farming community, the Cooperative Credit Societies Act was passed in 1904, which permitted the formation of credit societies. They provided institutional support to farmers for short, medium and long term purposes

AGRICULTURAL FINANCE

The Agricultural Credit Policy essentially lays emphasis on augmenting credit flow at the ground level through credit planning, adoption of region-specific strategies, rationalization of lending policies and procedures and bringing down the cost of borrowing. Bank credit is available to the farmers in the form of short-term credit for financing crop production programs and in the form of medium-term/long-term credit for financing capital investment in agriculture and allied activities like land development including purchase of land, minor irrigation, farm mechanization, dairy development, poultry, animal husbandry, fisheries, plantation, and horticulture. Loans are also available for storage, processing and marketing of agricultural produce

National Bank for Agriculture and Rural Development (NABARD)

NABARD is an apex institution accredited with all matters concerning policy, planning and operations in the field of credit for agriculture and other economic

activities in rural areas. It is an apex refinancing agency for the institutions providing investment and production credit for promoting the various developmental activities in rural areas. It co-ordinates the rural financing activities of all the institutions engaged in developmental work at the field level and maintains liaison with Government of India, State Governments, Reserve Bank of India.

Primary Cooperative Agricultural Credit Societies (PACS):

A Cooperative agricultural credit society can be started with 10 or more persons normally belonging to a village or a group of villages. The members have unlimited liability, so each member is fully responsible for the entire loss of the society in the event of failure. Loans are given for short period, normally for the harvest season, for carrying on agricultural operation, and the rate of interest is fixed. The primary agricultural credit society was expected to attract deposits from among the members and non-members of the village and thus promote saving and self-help. It provides loans and advances to needy members mainly out of these deposits. At the end of year 2013, there are 91833 primary agricultural credit societies in the country with a membership of over 139376 thousand.

Loan issued to agriculture sector by PACS

YEAR	PUNJAB(in lakhs)	INDIA (in lakhs)
2009-10	20590.81(0.55)	3762479.82(100)
2010-11	20590.81(0.44)	4646981.35(100)
2011-12	166495.22(3.39)	4912721.26(100)
2012-13	166495.22(1.60)	10419168.41(100)
2013-14	165569.13(1.61)	10425170.55

Central Cooperative Banks (CCBS):

The Central Cooperative Banks located at the district headquarters or some prominent town of the district. Their main function is to lend to primary credit society apart from that, Central Cooperative Banks have been undertaking normal commercial banking business also, such as attracting deposits from the general public and lending to the needy against proper securities.

State Cooperative Banks (SCBS):

The State Cooperative Banks, they finance, co-ordinate and control the working of the Central Cooperative Banks in each state. They serve as the link between the Reserve bank and the general money market on the one side and the Central Cooperative and Primary Societies on the other. They obtain their funds mainly from the general public by way of deposits, loans and advances from the Reserve Bank and they are own share capital and reserves.

Agriculture loans issued by State Cooperative Banks:

YEAR	PUNJAB (SHORT TERM)	INDIA (in lakhs)
2009-2010	315515(12.70)	2485266(100)
2010-2011	769147(20.64)	3727114(100)
2011-2012	1005164(20.99)	4789779(100)
2013-2013	410039(7.58)	5407632(100)

The Central Government takes various decisions for the benefit of farmers in the current Rabi Season and to promote digital payments in the economy. Following the cancellation of legal tender character of old Rs. 500 and Rs. 1000 notes, a number of measures have been announced by the Union Government, taking into consideration the requirements of various sections of society. Special measures like higher cash drawal limits for farmers and registered traders in APMC markets/Mandis, extension of time limit for payment of crop insurance premium, purchase of seeds with old high denomination bank notes of Rs. 500 from certain select Government Centres etc., have already been announced for the benefit of the farmers. Steps have been taken to ensure availability of cash in rural branches of Banks and 1.55 lakh Post Offices. Network of Banking Correspondents has also been activated with higher cash holding limits to meet the requirements of people in the rural areas. On further review of the matter, the Government has taken certain decisions for the benefit of farmers in the current Rabi season and to promote digital payments in the economy. These are in the nature of operational measures and are as follows :

- (i) NABARD has made available Rs.21,000 crores limit to District Central Cooperative Banks (DCCBs) through State Cooperative Banks for Rabi agricultural operations. This will enable the DCCBs to sanction and disburse crop loans to the farmers through the network of Primary Agricultural Cooperative Societies (PACS). This will benefit more than 40% of the small and marginal farmers who avail institutional credit/crop loans. Further, additional limits will be provided by NABARD as per requirement.
- (ii) RBI and the Banks have been advised to make the required cash available to the DCCBs. This will ensure quick and unhindered flow of credit and required cash to the farmers, especially for sowing and other agricultural operations during the current Rabi season.
- (iii) As a relief to small borrowers (i.e., loans upto Rs. 1 crore), RBI has already decided to provide additional 60 days time for repayment of dues. This will be applicable to personal and crop loans including housing and agricultural loans, taken from banks, NBFCs, DCCBs, PACS or NBFC- MFIs.
- (iv) There are 30 crore RuPay Debit Cards which have been issued, including those issued to Jan Dhan Account holders. There is a growth of nearly 300% in use of RuPay cards in the last 12 days. To facilitate the use of this debit card, the Banks have decided to waive transaction charges (MDR) up to 31st December, 2016. National Payments Council of India (NPCI) has already waived switching charges for RuPay Cards. Together, these steps will improve the acceptance of debit cards at different establishments.
- (v) To promote greater use of Debit Cards, Public Sector Banks and some of the private sector Banks have decided to waive the MDR charges till 31.12.2016. Other private sector Banks are expected to do likewise. Consequently, the transaction charges— including the charges for switching services— stand waived till 31.12.2016.
- (vi) To promote greater usage of payments through e-wallets, RBI has decided to increase the monthly transaction limit for individuals from Rs.10,000 to Rs.20,000. Similar enhancements have also been announced by RBI for merchants.
- (vii) For convenience of passengers, Indian Railways have decided not to levy service charges of Rs.20 for second class and Rs.40 for upper classes on purchase of reserved E-tickets upto 31st December, 2016. This would facilitate and encourage the passengers to buy E-tickets instead of across the counter purchase through cash. Daily average number of passengers buying E-tickets online is 58% and across the counter in cash is 42% of the total purchase of tickets. The effort now is to increase the purchase of E-tickets. It is expected that the above measure will encourage people to migrate to cashless transactions.

The Union Government's demonetisation move has virtually brought to standstill the operations of over 3,500 village cooperative societies that provide subsidised crop loans and farm inputs to farmers twice a year before the beginning of rabi and kharif crop seasons. Near absence of liquid money in the market has hit not only the cooperative societies — whose loan recovery has hit the rock bottom — it has also affected over 10 lakh farmers registered with such societies, who can't avail fresh loans until they repay the earlier loan they had taken six months ago.

CONCLUSION

Cooperative Banks are playing essential role in the realisation of the agriculture and in local development. They serve both rural and urban population and main bank in India supporting development of agriculture and rural areas. As we know that Punjab state has an important role in the food basket of India and converting country from food deficit to food surplus. According to census 2011, Punjab state has 12581 villages and as compare to villages, numbers of Cooperatives Banks are very less. The study found that though the number of PACS has shown a tremendous rise but the situation has deteriorated in Punjab as number of PACS has shown a tremendous downfall. Loans issued by PACS in the state of Punjab recorded very meagre share over the loan issued by all PACS in India. There

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